

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6826

BILL NUMBER: HB 1704

NOTE PREPARED: Feb 3, 2007

BILL AMENDED:

SUBJECT: Determination of true tax value.

FIRST AUTHOR: Rep. Smith M

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ___GENERAL
DEDICATED
FEDERAL

IMPACT: Local

Summary of Legislation: This bill provides that the rules of the Department of Local Government Finance (DLGF) are the only basis for determining the true tax value of tangible property and that local assessing officials may not use different assessment standards.

This bill also provides that in an administrative review of an assessment a taxpayer is not required to introduce evidence of a fair market value appraisal or capitalization of income if the assessment under review is not determined using those factors.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, real property is assessed at or near its fair market value. The DLGF promulgates rules that govern real property assessment. These rules include a pre-approved cost-based mass appraisal system but also permit the use of other factors or systems so long as the DLGF approves the use of them. All methods should result in substantially the same assessments.

This bill would require that assessors use only the pre-approved appraisal system in the DLGF's rules. There should be no appreciable difference in total assessments under this provision.

Under this provision, the county property tax assessment board of appeals (PTABOA) or the Indiana Board of Tax Review (IBTR) may not require the taxpayer to present a fair market value appraisal or income capitalization as evidence in an appeal if the assessment was not based this information for the specific property under appeal.

The taxpayer's burden of proof would be met if the taxpayer introduces evidence based on an assessment under the DLGF rules. The taxpayer, at their sole discretion, could still introduce the appraisal or income capitalization as evidence. This means that the PTABOA and IBTR would have to consider evidence offered regarding the components of the cost-based appraisal without regard to the final market value of the property.

The impact on assessments would depend on how closely the assessment system approximates fair market value for each individual property. If the assessments produced by the system are very close to each property's fair market value, then this provision would have little impact. However, if the system's accuracy varies between properties then an appeal processed under this provision could result in a different assessment.

State Agencies Affected: Department of Local Government Finance; Indiana Board of Tax Review.

Local Agencies Affected: Township and county assessors; County property tax assessment boards of appeals.

Information Sources: Kurt Barrow, Policy Advisor, DLGF, 317-232-3777.

Fiscal Analyst: Bob Sigalow, 317-232-9859.